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Handbook of Municipal Accounting. Metz Fund Handbooks of City Business Methods. Prepared under the direction of WILLIAM H. ALLEN, HENRY BRUERE, FREDERICK A. CLEVELAND. (New York: D. Appleton and Company. 1913. Pp. xxx, 318. \$2.00.)

The publication of this book is one of the evidences of the great contribution the Bureau of Municipal Research has made not only to a knowledge of municipal conditions, but to an understanding of the way out of inefficient municipal administration. The first impression one gets of the book is surprise at the ratio between text and forms; for most earlier publications on municipal accounting have dwelt on tables and forms rather than on the principles which should underlie them. Here are 221 numbered pages, of which 207 are text. Besides the tables and forms given on the remaining 14 numbered pages, inserted leaves of forms are 34 in number. To those who believe that no accounting form exactly suitable to one circumstance is ever likely to be quite the best for any other, this seems as it should be. The authors of this book do not tell how to do things: they tell how to go to work to find how to do things. They know that rules of thumb and blind following of forms do not tend to produce good accounting, for the requisites of good work are analysis and judgment. They have accordingly shown how the universal accounting principles should be applied to municipal affairs and what municipal affairs are somewhat unique in the application of accounting principles.

In the main, the discussion of principles and their application is clear, and the forms are suggestive. Not always are the forms offered likely to serve their purpose, however, for the authors, in their desire to present figures for the layman, sometimes violate established accounting practice so much as to confuse, at least without careful study (which the forms were devised to render unnecessary), the reader familiar with accounts. This is in part due to the origination of terms that seem to the uninitiated almost purely arbitrary. Some of these are so little suggestive of their content that the reviewer, for one, has regularly since their publication in the "Journal of Accountancy," in 1910, found necessary a fresh memorizing of their significance whenever he has had occasion to interpret or use them. The system of accounting for estimated revenue, for authorizations to incur liabilities, for liabilities actually incurred, etc., is admirably worked out; but it is

unduly complicated in application by the arbitrary terminology used for designating accounts—such as “available balances” (p. 29) and “unapplied balances” (p. 30), for two accounts representing assets entirely unlike in nature. A debit to “estimated revenues” is sometimes (p. 40) a deficit, though by all the logic of terms and by definition it should be an asset (p. 40). Only a trained accountant could keep his head through these mazes. It is hoped that the plan will be simplified by its authors, for it accomplishes ideally, when consistently carried out, what is desired for watching income, appropriation, and expenditure.

A few extracts will show some of the important statements and will suggest the sanity of the book as a whole.

Comparison of costs, which is the great factor in determining and developing efficiency of administration, can be made only when the costs are reduced to a unit basis; that is, when the total cost for a period is divided by the number of units of work performed or other results (p. 6).

We therefore hold that the items in a balance sheet should be so classified that assets will be opposed by the liabilities which are to be met by them; for example, cash should be opposed by the immediate demands for cash, and uncollected taxes or other revenues receivable which may be pledged should be opposed by temporary loans made in anticipation of their collection (p. 21).

It is sometimes urged that permanent properties and bonded debt of cities should not be contrasted in balance sheet form for the reason that the former are never regarded as available for liquidating the bonded debt. . . . What is intended is to produce useful information about the results of past transactions in so far as they may affect the future. . . . Since a heritage of debt has been provided, it is but just that the heritage of useful properties acquired may also be definitely known. So far as the future taxpayer is concerned the capital account balance sheet is a summary of inventories of debts and properties inherited. . . . The property account lays the foundation for audit of sales, condemnations, demolitions, losses, and other mortality returns; it lays the foundation for actuarial data pertaining to ‘upkeep’ over a period of years; it gives a basis for establishing reserves for ‘depreciation’ (pp. 47-53).

It is regrettable that the authors contribute to the haziness regarding certain accounting terms, whereas they might help to give added definiteness. They use the term “reserve” in three senses—for surplus (p. 137), for deduction from assets (p. 56), and for liabilities (p. 66); and yet these things are wholly unlike.

Typographically the book is not pleasing, for boldface type is used in the text both for emphatic words and for names of ledger accounts. Sometimes one is puzzled to know which purpose is

served, and some pages literally bristle (pp. 68, 69). The index is remarkable—95 pages for 221 pages of text. Some long phrases are indexed under virtually each word, as “Coöperation of officials necessary for reorganization,” indexed under four heads—coöperation, financial officers, public officers, reorganization. Some mere index titles occupy three full-page lines. One topic reads, “‘Red tape’, defined”; and yet the sentence indexed does not attempt to define red tape. Most purchasers of books do not care to pay for indexing of this excessive type. The index-maker has done his best to make the book appear bromidic; but it is full of good things and suggestive.

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Elements of Accounting, Theory and Practice. By JOSEPH J. KLEIN. (New York: D. Appleton and Company. 1913. Pp. xiv, 422.)

The author of this work is a member of the faculty of New York University School of Commerce, Accounts and Finance, and his work there, together with the assistance he has received from many whose names are familiar to the accounting profession, has enabled him to produce a text which goes far toward attaining the purpose sought, namely, “to bridge the gap between book-keeping and accounting.” Presupposing on the part of the student a knowledge of debit and credit, he first discusses the principles of bookkeeping as applied in the ordinary books of account, and then shows how, by the application of accounting principles, some of the important accounts and books may be rearranged to secure better results. Next follow three chapters on single versus double entry, partnership accounting, and corporation accounting, respectively; after which there naturally comes the preparation of final statements according to the most approved modern practice. The difficult subjects of depreciation, reserve, sinking fund, and investment accounting, which are closely associated with the proper financing of most enterprises, are treated and illustrated in such a way as to render them readily comprehensible. A section, unique in works of this character, is devoted to the accounts of non-trading concerns, following which a clear elucidation is given of the statement of affairs and deficiency account and the realization and liquidation account. The two succeeding chapters, comprising but 30 pages, on the theory of cost accounts, and the final chapter, of only 34 pages, on auditing, are